



Telecommunications Consultants



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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

June 28, 1993

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, D.C. 20554

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Re: National Association of Regulatory Utility
Commissioners' Request for Clarification or,
Alternatively, Petition for Rulemaking, Concerning
Direct Assignment of Cost Study Expenses

Dear Mr. Caton:

Enclosed herewith for filing are the original and six copies of
Tallon, Cheeseman & Associates, Inc. comments in the above
mentioned matter.

Sincerely,

Mike Skrivan

Michael T. Skrivan
Tallon, Cheeseman & Associates, Inc.
3617 Betty Drive, Suite I
Colorado Springs, CO 80917

Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)

CLARIFICATION/AMENDMENT)
OF PART 36, JURISDICTIONAL)
SEPARATIONS PROCEDURES)

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COMMENTS OF TALLON, CHEESEMAN & ASSOCIATES, INC.

Tallon, Cheeseman & Associates, Inc. (TCA) is a regulatory and financial consulting firm which provides services to Independent Telephone Companies throughout the Midwest and Rocky Mountain regions. On behalf of its Independent Telephone Company Clients, TCA submits these comments in response to the FCC's request for comments on the National Association of Regulatory Utility Commissioners' (NARUC) Request for Clarification or, Alternatively, Petition for Rulemaking, Concerning Direct Assignment of Cost Study Expenses.

NARUC has filed a petition asking that local exchange carriers have the option to assign the reasonable expenses of wholly interstate cost studies to the interstate jurisdiction. Small Independent Telephone Companies may be affected differently by this proposal, depending on the structure of intrastate separations and settlements in each state.

The NARUC proposal limits itself to expenses associated with wholly interstate cost studies. It is not yet clear whether this proceeding can or should include other types of regulatory costs. This uncertainty makes it difficult to quantify the

jurisdictional impact on small companies should NARUC's petition be granted. If the NARUC petition were to granted, depending on the details, it is very possible that Independent Telephone Companies in one state could see additional allocations to the interstate jurisdiction while Independents in other states would see the exact opposite - additional allocations to the state jurisdiction. Shifts between the state and interstate jurisdictions need to be carefully planned and coordinated. Such a change could require advance preparation to make the appropriate responses to state local and access rates.

Many Independent Telephone Companies will want to carefully consider the impacts of this petition. The information required to analyze the impact is not readily available. In order to estimate the impact, an individual company will need to know the proposed details of the new plan and will need to analyze a number of accounts to determine which expenses will be affected. Some issues that need to be resolved would include: Does the category of wholly interstate costs include all NECA reporting and other NECA relations? Does it include costs associated with USF and Lifeline? Will there be an equivalent direct assignment of wholly intrastate cost study expenses?

The NARUC petition made reference to companies which might be tempted to manipulate the reporting of jurisdictional cost studies in order to maximize interstate cost allocations. The natural counter to such a potential would be propose additional safeguards or audit requirements. Most small telephone companies

would be opposed to any such proposed layer of additional regulation. Small companies already spend significant resources in dealing with state and federal regulation. Any proposal to increase the regulatory administrative costs would need long and careful consideration.

In summary, TCA has concerns that relate to jurisdictional shifts and additional regulatory burden. The proposed change should be made only when companies have had a chance to reasonably estimate the impact on their individual companies. And, more specific information is needed in order to make those estimates.

Respectfully Submitted

Tallon, Cheeseman & Associates, Inc.

Michael T. Skrivan

Michael T. Skrivan
Special Projects Manager
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3617 Betty Drive, Suite I
Colorado Springs, CO 80917

June 28, 1993

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it. I verify that the foregoing is true and correct. Executed on June 27, 1993.



Michael T. Skrivan
Special Projects Manager
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